

Message Text

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R 271730Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2458

INFO AMCONSUL RECIFE

AMCONSUL RIO DE JANEIRO

AMCONSUL SOA PAULO

AMCONSUL BELEM

AMCONSUL PORTO ALEGRE

AMCONSUL SALVADOR

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 2060

E.O. 11652: GDS

TAGS: PINT, BR

SUBJ: DELFIM NETTO: REVOLT OF A TECHNOCRAT QUICKLY PUT DOWN

SUMMARY: THE CANDIDACY OF FORMER FINANCE MINISTER DELFIM NETTO FOR THE GOVERNORSHIP OF SAO PAULO STATE, EVIDENTLY BOOMING ONLY A SHORT TIME AGO, SEESM TO HAVE BEEN DEFINITELY SCUTTLED, AN APPARENT VICTIM OF ADMINISTRATION FEARS THAT HIS CONSIDERABLE PRESTIGE AND TALENTS WOULD ENABLE HIM TO ESTABLISH AN (AT LEAST RELATIVELY) INDEPENDENT POWER BASE IN THAT POPULOUS, AFFLUENT STATE; AND OF RESENTMENT AGAINST HIM PERSONALLY. THE EPISODE MAY HAVE CAUSED DAMAGE ELSEWHERE AS WELL, INCLUDING THE REVOLUTION'S OWN TENET REGARDING THE CREATION OF A NEW BREED OF POLITICIAN THROUGH EXTENSIVE GOVERNMENT USE OF CIVILIAN TECHNOCRATS. DELFIM, HAVING RECLAIMED HIS SAO PAULO UNIVERSITY CHAIR, MAY BE PLANNING A LONG-RANGE DRIVE FOR THE PRESIDENCY; BUT IT IS QUESTIONABLE WHETHER HE WILL BE SIGNIFICANTLY MORE ACCEPTABLE THEN, WHEN HIS PRESTIGE AND SUPPORT WILL PRESUMABLY HAVE DIMINISHED. END SUMMARY.

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1. IN THE FINAL WEEKS OF THE MEDICI ADMINISTRATION, A BOOM DEVELOPED IN SUPPORT OF THE UNDECLARED CANDIDACY OF THEN-FINANCE MINISTER DELFIM NETTO FOR THE GOVERNORSHIP OF SAO PAULO STATE. THE MOVEMENT, ORIGINATING IN THE SAO PAULO BUSINESS COMMUNITY, SOON GAINED THE PRESTIGIOUS PRESS BACKING OF O ESTADO DE SAO PAULO AND JORNAL DO BRASIL COLUMNIST CARLOS CASTELLO BRANCO. INDEED, THE IDEA AS PRESENTED MADE SENSE: THE HIGHLY ACCLAIMED ARCHITECT AND PRINCIPAL AGENT OF THE BRAZILIAN MIRACLE, AFTER SEVEN YEARS OF LOYAL AND EFFECTIVE SERVICE TO THE REVOLUTION, IS REWARDED WITH A POST OF ACCEPTABLE STATURE AND AMPLE SCOPE FOR HIS UNQUESTIONED TALENTS, ENERGIES, AND EXPERIENCE. HIS DESIGNATION WOULD, THE IDEA CONTINUED, BE WELCOMED BY A GRATEFUL BUSINESS COMMUNITY AND AN ADMIRING PUBLIC, AND HIS SUCCESS SEEMED, IN THESE TERMS, ASSURED. THE IDEA ALSO SEEMED A PERFECT EXAMPLE OF THE REVOLUTION'S TENET REGARDING THE CREATION OF A NEW BREED OF POLITICIAN THROUGH GOVERNMENT USE OF CIVILIAN TECHNOCRATS.

2. SIGNS THAT DELFIM'S CANDIDACY WAS IN TROUBLE, HOWEVER, WERE NOT LONG IN DEVELOPING. WORD APPEARED IN THE PRESS THAT IN FACT THE GOVERNMENT'S CANDIDATE WOULD BE PAULO EGYDIO MARTINS, COMMERCE MINISTER UNDER CASTELLO BRANCO AND A PERSONAL FRIEND OF THE NEW PRESIDENT; AND IT BECAME DISCERNIBLE THAT THE WORD WAS AUTHORITATIVE, DESPITE THE DAMAGE IT DID TO THE CREDIBILITY OF THE VANTED "MISSION" OF ARENA PRESIDENT PETRONIO PORTELLA (SEE COMMENT BELOW) AND DESPITE PORTELLA'S PROTESTATIONS THAT NO GUBERNATORIAL CANDIDACY HAD YET BEEN DECIDED. SUBSEQUENTLY, AS VIRTUALLY ITS FIRST OFFICIAL ACT, THE NEW GOVERNMENT SENT TO THE CONGRESS A DRAFT LAW WHICH WOULD TAKE THE FORMAL AUTHORITY OF DESIGNATING GUBERNATORIAL CANDIDATES AWAY FROM THE PARTY CONVENTIONS AND GIVE IT INSTEAD TO THE SMALL, MUCH MORE MALLEABLE PARTY DIRECTORATES. CONGEN SAO PAULO REPORTS THAT "THE MERE ANNOUNCEMENT...THAT THE GOVERNMENT WAS CONTEMPLATING THIS MEASURE WAS SUFFICIENT TO PRODUCE AN IMMEDIATE FLURRY OF REPORTS THAT LOCAL ARENA POLITICIANS COMMITTED TO DELFIM HAD RECEIVED THE MESSAGE AND WERE DEFECTING TO PAULO EGYDIO'S CAMP."

3. IN THE MEANTIME, PORTELLA IN A MARCH 19 PRESS INTER-CONFIDENTIAL

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VIEW (FOLHA DE SAO PAULO) REHEARED SOME REASONS WHY DELFIM WAS NOT ACCEPTABLE. THEY BOILED DOWN TO TROUBLE WITHIN ARENA (E.G., LACK OF PARTY ACTIVITY BY DELFIM AND RESENTMENT AGAINST HIM BY LEGISLATORS WHO HAD SUFFERED FROM HIS HIGH-HANDED WAYS BEFORE THE CONGRESS), AND THE USE OF DECREE-LAWS AND REGULATIONS, OFFENSIVE TO THE CONGRESS. (THE INJUSTICE OF THE LATTER CHARGE, BLAMING DELFIM FOR THE PROCEDURES OF AN ENTIRE GOVERNMENT, WAS BITTERLY CRITICIZED IN AN

ESTADO DE SAO PAULO EDITORIAL.) ADDITIONALLY, REPORTED CONGEN SAO PAULO, THE CHIEF OF STAFF OF THE II ARMY STATED FIRMLY "IN PUBLIC TO A GROUP OF FOREIGN CONSULAR REPRESENTATIVES THAT DELFIM'S CANDIDACY WAS FINISHED." THE CONGEN JUDGES, AND WE AGREE, THAT NEITHER MAN WOULD HAVE SO SPOKEN UNLESS HE WERE CONFIDENT OF BEING IN TUNE WITH THE GOVERNMENT'S THINKING.

4. DELFIM HIMSELF, NEVERTHELESS, WAS REPORTED PREPARING TO CARRY THE FIGHT "TO THE END" (PRESUMABLY THE FORMAL DESIGNATION OF THE PARTY DIRECTORATE). ONE COLUMNIST, HOWEVER, (EDISON LOBAO, CORREIO BRAZILIENSE) ASSERTED SUBSEQUENTLY THAT DELFIM HAD DECIDED TO AIM INSTEAD FOR A SEAT IN THE CHAMBER OF DEPUTIES. THERE HAS ALSO BEEN SOME SUGGESTION THAT HE MIGHT GO FOR THE SENATE, DEPENDING ON WHETHER THE ELECTORALLY STRONG INCUMBENT, CARVALHO PINTO, DECIDES TO RUN FOR RE-ELECTION.

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C O N F I D E N T I A L SECTION 2 OF 2 BRASILIA 2060

5. COMMENT: ALL THREE PROSPECTS PRESENT DIFFICULTIES.
ONE OBSTACLE IS MILITARY OPPOSITION TO HIM.
WHILE SOME OFFICERS HAVE SPOKEN HIGHLY OF HIS SKILLS, AND VALUE

HIS CONTRIBUTIONS TO THE REVOLUTION, OTHERS HARBOR RESENTMENT OF AN ESSENTIALLY PERSONAL KIND: THEY CONSIDER HIM TOO BIG FOR HIS BRITCHES, THEY SUSPECT HIM OF AN IRREGULAR PERSONAL LIFE, AND THEY BLAME HIM FOR THE RISE IN THE COST OF LIVING AND FOR ALLEGED MANIPULATIONS OF ECONOMIC STATISTICS. MORE IMPORTANT IS THE VERY LIKELY CONCERN OF THE REGIME OVER HOW CONSTRUCTIVE A ROLE THE AMBITIOUS, FREE-WHEELING DELFIM MIGHT PLAY IN THE GOVERNOR'S PALACE OR EITHER HOUSE OF CONGRESS. WELL-KNOWN IS DELFIM'S THESIS THAT WITH ECONOMIC DEVELOPMENT, VARIOUS "POLES OF POWER" WILL ARISE IN THE COUNTRY, WITH A CONSEQUENT DECENTRALIZING AND DEMOCRATIZING EFFECT. AS GOVERNOR OF SAO PAULO, HIS POTENTIAL FOR ROCKING BOATS WOULD OF COURSE BE ENHANCED BY THE STATE'S SIZE AND WEALTH, A FACTOR THAT CAN ONLY HAVE INTENSIFIED GOVERNMENT OPPOSITION TO HIS CANDIDACY. ADDITIONALLY, THAT GOVERNORSHIP COULD SERVE AS A PLATFORM FOR A STRONG PUSH FOR THE PRESIDENCY IN 1979. THE REGIME MAY ALSO HAVE BEEN CONCERNED ABOUT THE POSSIBLE DEVELOPMENT OF A SCHISM

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BETWEEN THE GOVERNMENT AND THE SAO PAULO BUSINESS COMMUNITY, THE PRINCIPAL CIVILIAN SUPPORT OF THE REVOLUTION.

6. HE WILL NOT BECOME GOVERNOR, OF COURSE, AS LONG AS THE GOVERNMENT DOES NOT WANT HIM TO; WORKING AGAINST HIM IN A SENATE OR CHAMBER RACE WOULD BE HIS INEXPERIENCE AS A CAMPAIGNER AND, WHETHER FAIR OR NOT, THE WIDESPREAD AND POLITICALLY EXPLOITABLE FEELING (AS REPORTED BY CONGEN SAO PAULO) THAT HIS IS RESPONSIBLE FOR THE RISE IN THE COST OF LIVING. IT MAY ALSO BE QUESTIONED WHETHER ANY SEAT IN CONGRESS, EVEN THE SENATE, WOULD APPEAL MUCH TO HIM EXCEPT AS A MEANS OF STAYING ACTIVE AND PUBLICLY EXPOSED IN POLITICS. ACCORDING TO ONE NEWSPAPER ACCOUNT, DELFIM RECENTLY TELEPHONED PORTELLA AND OFFERED HIMSELF FOR THE SENATE SLOT. PORTELLA'S ALLEGED COUNTER-OFFER OF AN EFFORT TO OBTAIN DELFIM A CHAMBER CANDIDACY, SAID THE ACCOUNT, MUST HAVE MADE DELFIM LAUGH AT THE IRONY: ARENA IS ENTITLED TO RUN 141 SUCH CANDIDACIES FOR THE SAO PAULO SEATS IN THE FEDERAL CHAMBER.

7. ONE THEORETICAL ALTERNATIVE IS AN AMBASSADORSHIP, BUT THERE IS NO INDICATION, SO FAR AT LEAST, THAT DELFIM IS AT ALL INTERESTED IN SUCH AN ASSIGNMENT OR THAT THE GOVERNMENT IS CONSIDERING OFFERING HIM ONE. THE IDEA MAY YET ARISE, HOWEVER, AS A WAY OUT.

8. IN THE MEANTIME, IT NOW APPEARS MOST LIKELY THAT DELFIM WILL ATTEMPT TO DERIVE WHAT POLITICAL MILEAGE HE CAN FROM HIS UNIVERSITY CHAIR AND WHATEVER CONSULTING JOBS AND CORPORATE DIRECTORATE POSITIONS COME HIS WAY. HE WOULD STILL, OF COURSE, BE ABLE TO MAINTAIN SOME PUBLIC EXPOSURE THIS WAY.

9. CONGEN SAO PAULO HAS REPORTED THAT IN A PRIVATE PRESS INTERVIEW, DELFIM LED THE CORRESPONDENT TO BELIEVE THAT "HIS SIGHTS ARE SET ON THE PRESIDENTIAL RACE IN 1978 AND THAT HE INTENDS TO BE THE FIRST CIVILIAN PRESIDENT SINCE THE REVOLUTION. WHILE ACKNOWLEDGING THAT HIS LONG-RANGE PLANS HAVE SUFFERED A SERIOUS SET-BACK AS A RESULT OF HIS FAILURE TO ACHIEVE A TURN-AROUND ON THE 1975 GUBERNATORIAL SUCCESSION ISSUE, HE STATED HIS INTENTION TO CONSOLIDATE HIS TIES WITHIN THE MILITARY--PARTICULARLY THOSE SECTORS WHOM
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HE BELIEVES TO FAVOR A CIVILIAN SUCCESSOR TO GEISEL--IN ORDER TO STRENGTHEN HIS PROSPECTS IN 1978." IT IS QUESTIONABLE, HOWEVER, WHETHER ESTABLISHMENT OPPOSITION TO HIM WILL HAVE LESSENED SIGNIFICANTLY BY THEN, WHEN HIS PRESTIGE AND SUPPORT WILL PRESUMABLY HAVE DIMINSHED.

10. THE EPISODE HAS IMPLICATIONS BEYOND THE POLITICAL FUTURE--IF ANY--OF DELFIM NETTO. ONE EARLY CASUALTY WAS THE CREDIBILITY OF THE VAUNTED "PORTELLA MISSION". WHILE PORTELLA HIMSELF IS STILL ASSERTING THAT THE PARTIES WILL HAVE AN IMPORTANT ROLE IN DESIGNATING CANDIDATES, THE REALITIES OF THE SELECTION PROCESS WERE LAID UNMISTAKABLY BARE WITH THE BRUITING OF PAULO EGYDIO'S NAME AND THE SUBMISSION OF THE NEW LAW ON THE MATTER. SOME HAVE CLAIMED THAT THE FACT THE LAW WAS SENT TO CONGRESS INSTEAD OF IMPOSED BY DECREE WAS A SIGN OF THE NEW ADMINISTRATION'S DETERMINATION TO ENHANCE CONGRESSIONAL PRESTIGE AND MOVE IN
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